
A BILL FOR AN ACT

RELATING TO STATE BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Declaration of findings with respect to the
2 general obligation bonds authorized by this Act. Pursuant to
3 the clause in Article VII, Section 13 of the State Constitution,
4 which states: "Effective July 1, 1980, the legislature shall
5 include a declaration of findings in every general law
6 authorizing the issuance of general obligation bonds that the
7 total amount of principal and interest, estimated for such bonds
8 and for all bonds authorized and unissued and calculated for all
9 bonds issued and outstanding, will not cause the debt limit to
10 be exceeded at the time of issuance", the legislature finds and
11 declares as follows:

- 12 (1) Limitation on general obligation debt. The debt limit
13 of the State is set forth in Article VII, Section 13
14 of the State Constitution, which states in part:
15 "General obligation bonds may be issued by the State;
16 provided that such bonds at the time of issuance would
17 not cause the total amount of principal and interest
18 payable in the current or any future fiscal year,



1 whichever is higher, on such bonds and on all
2 outstanding general obligation bonds to exceed: a sum
3 equal to twenty per cent of the average of the general
4 fund revenues of the State in the three fiscal years
5 immediately preceding such issuance until June 30,
6 1982; and thereafter, a sum equal to eighteen and one-
7 half per cent of the average of the general fund
8 revenues of the State in the three fiscal years
9 immediately preceding such issuance." Article VII,
10 Section 13 of the State Constitution also provides
11 that in determining the power of the State to issue
12 general obligation bonds, certain bonds are
13 excludable, including "reimbursable general obligation
14 bonds issued for a public undertaking, improvement or
15 system but only to the extent that reimbursements to
16 the general fund are in fact made from the net
17 revenue, or net user tax receipts, or combination of
18 both, as determined for the immediately preceding
19 fiscal year" and bonds constituting instruments of
20 indebtedness under which the State incurs a contingent



liability as a guarantor, but only to the extent the principal amount of those bonds does not exceed seven per cent of the principal amount of outstanding general obligation bonds not otherwise excluded under said Article VII, Section 13 of the State Constitution.

(2) Actual and estimated debt limits. The limit on principal and interest of general obligation bonds issued by the State, actual for fiscal year 2014-2015 and estimated for each fiscal year from 2015-2016 to 2017-2018, is as follows:

<u>Fiscal</u>	<u>Net General</u>	
<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>

For fiscal years , , , and , respectively, the debt limit is derived by multiplying the average of the net general fund revenues for the three preceding fiscal years by eighteen and one-half per cent. The net general fund revenues for fiscal years , , and are actual, as



1 certified by the director of finance in the Statement
2 of the Debt Limit of the State of Hawaii as of July 1,
3 2014, dated October , 2014. The net general fund
4 revenues for fiscal years to are
5 estimates, based on general fund revenue estimates
6 made as of March , 2015, by the council on
7 revenues, the body assigned by Article VII, Section 7
8 of the State Constitution to make such estimates, and
9 based on estimates made by the department of budget
10 and finance of those receipts that cannot be included
11 as general fund revenues for the purpose of
12 calculating the debt limit, all of which estimates the
13 legislature finds to be reasonable.

14 (3) Principal and interest on outstanding bonds applicable
15 to the debt limit.

16 (A) According to the department of budget and
17 finance, the total amount of principal and
18 interest on outstanding general obligation bonds,
19 after the exclusions permitted by Article VII,
20 Section 13 of the State Constitution, for



determining the power of the State to issue
 general obligation bonds within the debt limit as
 of April 1, 2015, is as follows for fiscal year
 to fiscal year :

<u>Fiscal</u> <u>Year</u>	<u>Principal</u> <u>and Interest</u>
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The department of budget and finance further
 reports that the amount of principal and interest
 on outstanding bonds applicable to the debt limit
 generally continues to decline each year from
 fiscal year to fiscal year when the
 final installment of \$ shall be due and
 payable.

(B) The department of budget and finance further
 reports that the outstanding principal amount of
 bonds constituting instruments of indebtedness
 under which the State may incur a contingent
 liability as a guarantor is \$, all or
 part of which is excludable in determining the
 power of the State to issue general obligation



1 bonds, pursuant to Article VII, Section 13 of the
2 State Constitution.

3 (4) Amount of authorized and unissued general obligation
4 bonds and guaranties and proposed bonds and
5 guaranties.

6 (A) As calculated from the comptroller's bond fund
7 report as of February , 2015, adjusted for:

8 (i) Appropriations to be funded by general
9 obligation bonds or reimbursable general
10 obligation bonds as provided in House Bill
11 No. , (the General Appropriations Act of
12);

13 (ii) Lapses as provided in House Bill No. ,
14 (the General Appropriations Act of);

15 (iii) Appropriations to be funded by general
16 obligation bonds or reimbursable general
17 obligation bonds as provided in House Bill
18 No. , (the Judiciary Appropriations Act of
19); and



1 (iv) Lapses as provided in House Bill No. ,
2 (the Judiciary Appropriations Act of);
3 the total amount of authorized but unissued
4 general obligation bonds is \$. The total
5 amount of general obligation bonds authorized in
6 this Act is \$. The total amount of
7 general obligation bonds previously authorized
8 and unissued, as adjusted, and the general
9 obligation bonds authorized in this Act is
10 \$.

11 (B) As reported by the department of budget and
12 finance the outstanding principal amount of bonds
13 constituting instruments of indebtedness under
14 which the State may incur a contingent liability
15 as a guarantor is \$, all or part of which
16 is excludable in determining the power of the
17 State to issue general obligation bonds, pursuant
18 to Article VII, Section 13 of the State
19 Constitution.



(5) Proposed general obligation bond issuance. As reported therein for the fiscal years , , and , the State proposed to issue \$ in general obligation bonds during the first half of fiscal year , \$ in general obligation bonds during the second half of fiscal year , \$ in general obligation bonds during the first half of fiscal year , \$ in general obligation bonds during the second half of fiscal year , \$ in general obligation bonds during the first half of fiscal year , and \$ in general obligation bonds during the second half of fiscal year . It has been the practice of the State to issue twenty-year serial bonds with principal repayments beginning in the fifth year, the bonds payable in substantially equal annual installments of principal and interest payment with interest payments commencing six months from the date of issuance and being paid semi-annually thereafter. It is assumed



1 that this practice will continue to be applied to the
2 bonds that are proposed to be issued.

3 (6) Sufficiency of proposed general obligation bond
4 issuance to meet the requirements of authorized and
5 unissued bonds, as adjusted, and bonds authorized by
6 this Act. From the schedule reported in paragraph
7 (5), the total amount of general obligation bonds that
8 the State proposes to issue during the fiscal years
9 to is \$. An additional
10 \$ is proposed to be issued in fiscal year
11 . The total amount of \$ that is
12 proposed to be issued through fiscal year is
13 sufficient to meet the requirements of the authorized
14 and unissued bonds, as adjusted, the total amount of
15 which is \$ reported in paragraph (4), except
16 for \$. It is assumed that the appropriations
17 to which an additional \$ in bond issuance
18 needs to be applied will have been encumbered as of
19 June 30, . The \$ that is proposed to be
20 issued in fiscal year will be sufficient to meet



1 the requirements of the June 30, , encumbrances in
2 the amount of \$. The amount of assumed
3 encumbrances as of June 30, , is reasonable and
4 conservative, based upon an inspection of June 30
5 encumbrances of the general obligation bond fund as
6 reported by the comptroller. Thus, taking into
7 account the amount of authorized and unissued bonds,
8 as adjusted, and the bonds authorized by this Act
9 versus the amount of bonds proposed to be issued by
10 June 30, , and the amount of June 30, ,
11 encumbrances versus the amount of bonds proposed to be
12 issued in fiscal year , the legislature finds
13 that in the aggregate, the amount of bonds proposed to
14 be issued is sufficient to meet the requirements of
15 all authorized and unissued bonds and the bonds
16 authorized by this Act.

17 (7) Bonds excludable in determining the power of the State
18 to issue bonds. As noted in paragraph (1), certain
19 bonds are excludable in determining the power of the
20 State to issue general obligation bonds.



1 (A) General obligation reimbursable bonds can be
2 excluded under certain conditions. It is not
3 possible to make a conclusive determination as to
4 the amount of reimbursable bonds that are
5 excludable from the amount of each proposed bond
6 issued because:

7 (i) It is not known exactly when projects for
8 which reimbursable bonds have been
9 authorized in prior acts and in this Act
10 will be implemented and will require the
11 application of proceeds from a particular
12 bond issue; and

13 (ii) Not all reimbursable general obligation
14 bonds may qualify for exclusion.

15 However, the legislature notes that with respect to
16 the principal and interest on outstanding general
17 obligation bonds, according to the department of
18 budget and finance, the average proportion of
19 principal and interest that is excludable each year
20 from the calculation against the debt limit is



1 per cent for approximately ten years from
2 fiscal year to fiscal year . For the
3 purpose of this declaration, the assumption is made
4 that 0.75 per cent of each bond issue will be
5 excludable from the debt limit, an assumption that the
6 legislature finds to be reasonable and conservative.

7 (B) Bonds constituting instruments of indebtedness under
8 which the State incurs a contingent liability as a
9 guarantor can be excluded, but only to the extent the
10 principal amount of those guaranties does not exceed
11 seven per cent of the principal amount of outstanding
12 general obligation bonds not otherwise excluded under
13 subparagraph (A) of this paragraph (7); and provided
14 that the State shall establish and maintain a reserve
15 in an amount in reasonable proportion to the
16 outstanding loans guaranteed by the State as provided
17 by law. According to the department of budget and
18 finance and the assumptions presented herein, the
19 total principal amount of outstanding general
20 obligation bonds and general obligation bonds proposed



to be issued, which are not otherwise excluded under Article VII, Section 13 of the State Constitution for the fiscal years , , and are as follows:

<u>Fiscal Year</u>	<u>Total Amount of General Obligation Bonds Not Otherwise Excluded by Article VII, Section 13 of the State Constitution</u>
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Based on the foregoing and based on the assumption that the full amount of a guaranty is immediately due and payable when such guaranty changes from a contingent liability to an actual liability, the aggregate principal amount of the portion of the outstanding guaranties and the guaranties proposed to be incurred, which does not exceed seven per cent of the average amount set forth in the last column of the above table and for which reserve funds have been or will have been established as heretofore provided, can be excluded in determining the power of the State to issue general obligation bonds. As it is not possible to predict with a reasonable degree of certainty when



1 a guaranty will change from a contingent liability to
2 an actual liability, it is assumed in conformity with
3 fiscal conservatism and prudence, that all guaranties
4 not otherwise excluded pursuant to Article VII,
5 Section 13 of the State Constitution will become due
6 and payable in the same fiscal year in which the
7 greatest amount of principal and interest on general
8 obligation bonds, after exclusions, occurs. Thus,
9 based on such assumptions and on the determination in
10 paragraph (8), all of the outstanding guaranties can
11 be excluded.

12 (8) Determination whether the debt limit will be exceeded
13 at the time of issuance. From the foregoing and on
14 the assumption that all of the bonds identified in
15 paragraph (5) will be issued at a net average interest
16 rate, after giving effect to federal subsidy payments,
17 if any, not to exceed 5.25 per cent, it can be
18 determined from the following schedule that the bonds
19 that are proposed to be issued, which include all
20 authorized and unissued bonds previously authorized,



as adjusted, general obligation bonds, and instruments of indebtedness under which the State incurs a contingent liability as a guarantor authorized in this Act, will not cause the debt limit to be exceeded at the time of such issuance:

Time of Issuance and Amount to be Counted Against <u>Debt Limit</u>	Debt Limit at Time of <u>Issuance</u>	Greatest Amount and Year of Highest Principal and Interest <u>on Bonds and Guaranties</u>
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(9) Overall and concluding finding. From the facts, estimates, and assumptions stated in this declaration of findings, the conclusion is reached that the total amount of principal and interest estimated for the general obligation bonds authorized in this Act, and for all bonds authorized and unissued, and calculated for all bonds issued and outstanding, and all guaranties, will not cause the debt limit to be exceeded at the time of issuance.

SECTION 2. The legislature finds the bases for the declaration of findings set forth in this Act are reasonable.



1 The assumptions set forth in this Act with respect to the
2 principal amount of general obligation bonds that will be
3 issued, the amount of principal and interest on reimbursable
4 general obligation bonds that are assumed to be excludable, and
5 the assumed maturity structure shall not be deemed to be
6 binding, it being the understanding of the legislature that such
7 matters must remain subject to substantial flexibility.

8 SECTION 3. Authorization for issuance of general
9 obligation bonds. General obligation bonds may be issued as
10 provided by law in an amount that may be necessary to finance
11 projects authorized in House Bill No. (the General
12 Appropriations Act of) and House Bill No. (the Judiciary
13 Appropriations Act of), passed by the legislature during
14 this regular session of 2015 and designated to be financed from
15 the general obligation bond fund and from the general obligation
16 bond fund with debt service cost to be paid from special funds;
17 provided that the sum total of general obligation bonds so
18 issued shall not exceed \$.

19 Any law to the contrary notwithstanding, general obligation
20 bonds may be issued from time to time in accordance with Section



1 39-16, Hawaii Revised Statutes, in such principal amount as may
2 be required to refund any general obligation bonds of the State
3 of Hawaii heretofore or hereafter issued pursuant to law.

4 SECTION 4. The provisions of this Act are declared to be
5 severable and if any portion thereof is held to be invalid for
6 any reason, the validity of the remainder of this Act shall not
7 be affected.

8 SECTION 5. In printing this Act, the revisor of statutes
9 shall substitute in section 1 and section 3 the corresponding
10 act numbers for bills identified therein.

11 SECTION 6. This Act shall take effect on July 1, 2050.



Report Title:
State Bonds

Description:
Authorizes the issuance of general obligation bonds. Makes findings required by Article VII, Section 13 of the State Constitution to declare that the issuance of authorized bonds will not cause the debt limit to be exceeded. Effective 7/1/2050. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

